

## INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 United States Code 5302), which authorized establishment of a Treasury fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and for foreign exchange, as well as interest earned on assets.

- Table **ESF-1** presents the assets, liabilities and capital of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the International Monetary Fund. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

- Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (+) or loss (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of SDR holdings and allocations"

**TABLE ESF-1.—Balances as of July 1, 1999, and Sept. 30, 1999**

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

Assets, liabilities and capital	June 30, 1999	July 1, 1999, through Sept. 30, 1999	Sept. 30, 1999
<b>Assets</b>			
U.S. dollars:			
Held with Treasury:			
U.S. Government securities	16,360,142	-1,127,944	15,232,198
Special drawing rights <sup>1</sup>	9,718,955	564,808	10,283,763
Foreign exchange and securities: <sup>2</sup>			
European Euro	6,944,601	274,509	7,219,110
Japanese yen	7,786,982	1,044,842	8,831,824
Accounts receivable	103,800	23,743	127,543
<b>Total assets</b>	<b>40,914,480</b>	<b>779,958</b>	<b>41,694,438</b>
<b>Liabilities and capital</b>			
Current liabilities:			
Accounts payable	209,455	-156,681	52,774
<b>Total current liabilities</b>	<b>209,455</b>	<b>-156,681</b>	<b>52,774</b>
Other liabilities:			
SDR certificates	8,200,000	-1,000,000	7,200,000
SDR allocations	6,545,134	253,895	6,799,029
<b>Total other liabilities</b>	<b>14,745,134</b>	<b>-746,105</b>	<b>13,999,029</b>
Capital:			
Capital account	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2)	25,759,891	1,682,744	27,442,635
<b>Total capital</b>	<b>25,959,891</b>	<b>1,682,744</b>	<b>27,642,635</b>
<b>Total liabilities and capital</b>	<b>40,914,480</b>	<b>779,958</b>	<b>41,694,438</b>

See foot notes on the following page.

TABLE ESF-2.—In come and Ex pense

[In thou sands of dol lars. Source: Of fice of the As sis tant Sec re tary of the Treas ury for Man age ment]

	Current quarter July 1, 1999, through Sept. 30, 1999	Fis cal year to date Oct. 1, 1998, through Sept. 30, 1999
<b>In come and ex pense</b>		
Profit (+) or loss (-) on:		
For eign ex change. . . . .	1,255,803	1,637,397
Ad just ment for change in val u a tion of SDR hold ings and al lo ca tions <sup>1</sup> . . . . .	127,856	55,076
In ter est (+) or net charges (-) on:		
SDRs. . . . .	27,579	114,217
U.S. Gov ern ment se cu ri ties . . . . .	201,826	800,387
For eign ex change . . . . .	69,680	230,393
Com mis sions . . . . .	-	35,547
In come from op er a tions. . . . .	1,682,744	2,873,017
Net in come (+) or loss (-) . . . . .	1,682,744	2,873,017

<sup>1</sup> Be gin ning July 1974, the In ter na tional Mon e tary Fund adopted a tech nique for val u ing the SDRs based on a weighted av er age of ex change rates for the cur ren cies of se lected mem ber coun tries. The U.S. SDR hold ings and al lo ca tions are val ued on this ba sis be gin ning July 1974.

<sup>2</sup> Ex cludes for eign ex change trans ac tions for fu ture and spot de liv ery.

Note.—An nual bal ance sheets for fis cal 1934 through 1940 ap peared in the 1940 "An nual Re port of the Sec re tary of the Treas ury," and those for suc ceed ing years ap peared in sub se quent re ports through 1980. Quar terly bal ance sheets be gin ning with De cern ber 31, 1938, have been pub lished in the "Treas ury Bul le tin." Data from in cep tion to Sep tem ber 30, 1978, may be found on the state ments pub lished in the Jan u ary 1979 "Treas ury Bul le tin."